Adding **Value**

2007-04798/

In conducting our business the Commission is guided by these values:

BUSINESS MODEL
Our business model is based on user pay for services they receive at a reasonable cost. We use our profits for sustainability.

CUSTOMER FOCUS
The Commission management and staff will provide prompt, effective services to our patrons.

COMMUNICATIONS
Our communications are based on trust, mutual respect, openness, and clear and reliable information.

COMMUNITY
We are the major physical connection between two communities.
We practice ecological, sociological and fiscal responsibility in our communities. We provide active transportation opportunities.

DECISION MAKING
Our decisions are made with a sense of integrity, credibility and accountability for the mandate entrusted to us.

EMPLOYEE FOCUS
Our employees are a most valued asset. We value their years of dedicated service and contributions. They provide both the Commission and our patrons with ongoing exemplary service.

FUTURE GENERATIONS
Our revenue goes to the maintenance of our current assets and the future assets that our customers need.

LEADERSHIP
Our leaders are competent, energetic and focused on a clear direction for the Commission.

TEAM WORK
Our team approach ensures that all members are working towards a shared vision, mission, values and goals.

SAFETY
Safety is a fundamental value and focus of the Commission.

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The Halifax-Dartmouth Bridge Commission is in the business of traffic flow management and transportation solutions.

Tom Calkin, Chair

Community. *We are the major physical connection between two communities. We practice ecological, sociological and fiscal responsibility in our communities. We provide active transportation opportunities.*

WE ARE TASKED with providing safe, convenient and reliable passage for patrons using the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge at an appropriate cost. In the future, we may also operate toll systems throughout the Atlantic Region and, *if requested*, we will build and operate toll structures. Why? Because the Commission's raison d'être is to provide value-added services.

Take for example, the Atlantic Gateway concept. The harbour bridges provide direct road links from the Port of Halifax's two container terminals, located on the peninsula, to North American markets. January 21, 2006, was a grey, mist-shrouded morning. Steve Snider, CEO of the Commission and Ken Munro, our Treasurer were on the sidewalk of the Macdonald Bridge, just to the right of centre span. The OOCL Chicago, a post-Panamax container ship, was about to become the first vessel to use the Global Positioning System (GPS) sensor technology, installed on the Macdonald and MacKay Bridges, to assist in its safe transit under the bridges enroute to the Fairview Cove Container Terminal. They watched in awe as the massive ship passed underneath their feet and could feel the heat rising from the vessel's funnel. I watched all of this from under the MacKay Bridge – what a sight!

The transit went smoothly thanks to much hard work and commitment by the Commission, Halifax Port Authority, Canadian Hydrographic Service, and the skill of the professional pilots from the Atlantic Pilotage Authority who had helped with the technical design and who were onboard the ship using this new technology. We are proud to be partners in developing this safety improvement system. The ability for post-Panamax container ships to access both container terminals in Halifax strengthens the Port's position as the Atlantic Gateway of choice.

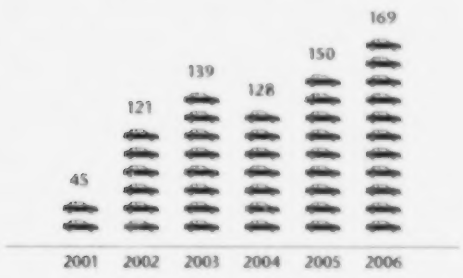
We appreciate the importance of changing how we do business to meet the changing needs of our customers. In 2005, the Atlantic Provinces Trucking Association approached us to seek new regulations that would allow B-trains (large multi trailer vehicles) on the MacKay Bridge.

Moving Traffic and Commerce

Highest Traffic Days Recorded

Friday, December 15, 2006	115,448 crossings
Friday, December 16, 2005	112,041 crossings
Friday, December 17, 2004	112,866 crossings
Friday, December 19, 2003	113,281 crossings
Friday, December 15, 2002	111,894 crossings
Friday, December 14, 2001	110,431 crossings

Number of Days/Year Exceeding 100,000 Crossings



With approval from the Nova Scotia Utility and Review Board (NSUARB), the Commission made this happen. In 2006, the Commission filed a successful application with the NSUARB to introduce axle-based tolling which will be able to differentiate whether a truck is hauling a trailer or not, and adjust the toll accordingly. The result will be more equitable tolling for all vehicle classes.

The shining star of the Commission is *MACPASS* – the quickest and easiest low cost option to pay bridge tolls. More than 86% of commercial vehicles crossing the bridges subscribe to *MACPASS*. Did you know that *MACPASS* can be set-up with separate accounts for use at other tolling authorities in Atlantic Canada?

Perhaps not so obvious is the Commission's important contribution to a cleaner/greener community. *MACPASS* reduces congestion on the bridge plazas and improves safety for vehicles using both bridges by allowing the traffic to keep moving. Independent analysis quantifies the contribution of the *MACPASS* tolling system as follows:

- 81,400 hours per year of peak travel time savings across both bridges; as an approximation, each commuter saves 9 hours per year;
- An estimated yearly increase of 200,000 to 280,000 peak hour trips across both bridges as a direct result of *MACPASS*; and
- The reduction of fuel consumption by 484,000 litres and the reduction of carbon dioxide by 1,160 metric tonnes during peak hours throughout the year.

All this happens because toll booth delays are substantially reduced when our customers use the *MACPASS* toll system.

Another quick analysis of what the bridges contribute to our patrons can be done by comparing the costs of driving around the Bedford Basin versus travelling over the MacKay Bridge. For example, a commuter living midway between the Macdonald and MacKay Bridges on Windmill Road, in Dartmouth who drives to work near the intersection of the Bedford Highway and Joseph Howe Drive, in Halifax can save 13 kilometres, *each one way trip*, by taking the MacKay Bridge instead of driving around the Bedford Basin along the Bedford Highway. The commuter also saves travel time, by taking the bridge. The MacKay Bridge route is a 68% reduction in distance[1].

Let's take this one step further and assume that there is no Macdonald or MacKay Bridge and all 32.4 million vehicle crossings that the bridges handle each year are routed around Bedford Basin. The cost of driving these 13 kilometres would be about $60 million a year to all our bridge users. This staggering estimate is based on the Canadian Automobile Association's figure of $0.14 /km as the variable cost to operate a family van. For commercial vehicles the costs would be much higher.

This brings me to my closing comment. **At 32.4 million vehicle crossings per year**, think about the magnitude of the positive impact these bridges have on the quality of life and the economy of our region. By taking the bridge instead of driving around the Bedford Basin, our customers save about 40 million litres of gas annually. This translates to a drop in carbon dioxide emissions of about 100,000 metric tonnes each year. A very considerable environmental impact! Yes, your bridges are "green", in more ways than one!

Ensuring that the bridges continue to provide safe, convenient and reliable passage for our patrons at an appropriate cost is our pledge to you. Your bridges are truly a value added asset contributing to our economic well being and improving the quality of life in our region.

Respectfully submitted,

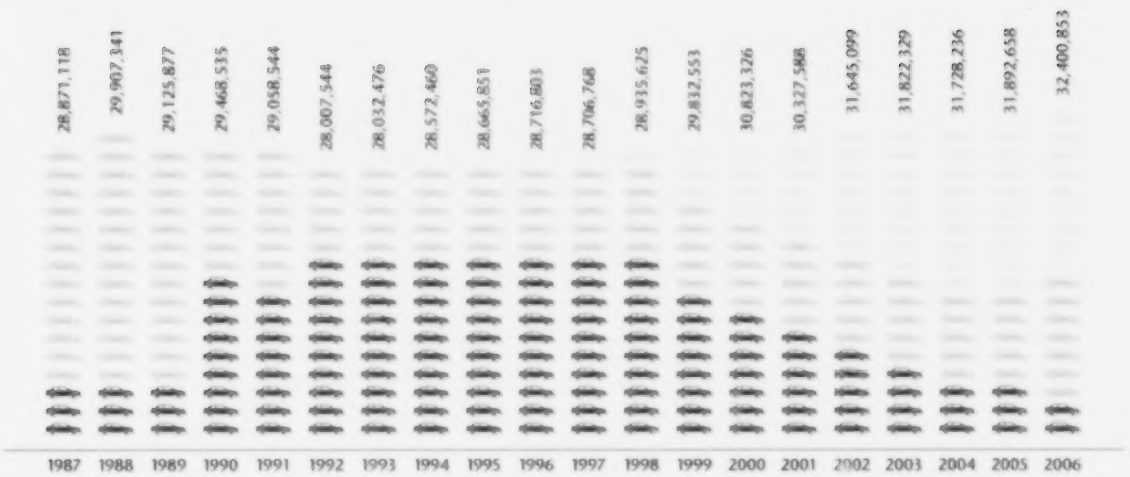
Tom Calkin

Tom Calkin, BSc.C.E., M.B.A., P.Eng., CMC
Chair, Halifax-Dartmouth Bridge Commission

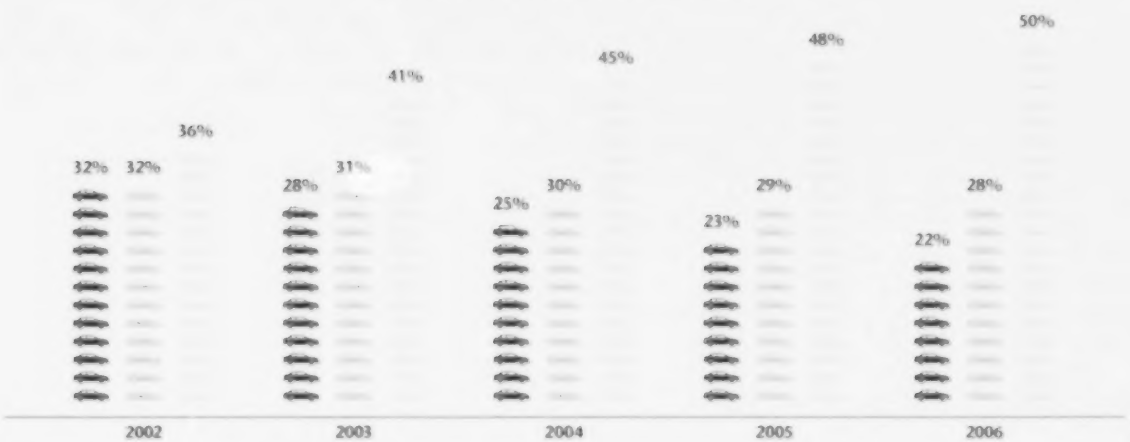
[1] The route around Bedford Highway from the points of origin and destination in this example is 19 km. The same points of origin and destination can be reached in 6 km via the A. Murray MacKay Bridge.

Token Cash MACPASS

Total Annual Traffic Crossings By Volume



Cash and Token Usage Declines as *MACPASS* Grows



Hi and welcome to the Annual Report. *Many of you may already know me – I am Mr. MACPASS – the Commission's mascot. I am going to take you behind the scenes with some interesting bridge facts that may surprise you.*

Our mission is to provide safe, convenient, efficient and reliable passage for our patrons at an appropriate cost.

Mandate: *The Halifax-Dartmouth Bridge Commission (the Commission) is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the Halifax-Dartmouth Bridge Commission Act:*

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may

(a) conduct such investigation and studies as it considers advisable respecting
  (i) the need or advisability of a transportation project referred to in subsection (1),
  (ii) the proper location of any such transportation project,
  (iii) the manner or method of financing and operating any such transportation project,
  (iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,
  (v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;
(b) for the purpose of making investigation and studies, engage expert or technical assistance;
(c) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;
(d) make reports and recommendations to the Government of the Province and the Municipality.

(3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

Organizational Structure

The Commission has nine Board members. The Governor in Council appoints five members, including the Chair and Vice-Chair and the Halifax Regional Municipality appoints four Councillors to serve on the Board. The provincial appointees for 2006 were: Mr. Tom Calkin (Chair), Mr. Wayne Mason (Vice Chair), Mr. David Covill, Dr. Russell Hatton and Mr. Clint Schofield. Dr. Hatton was a new appointment, joining the Board in the first quarter. Representing Halifax Regional Municipality (HRM) were Councillors Bob Harvey, Debbie Hum, Linda Mosher and Patrick Murphy. Within the Board structure there are 4 standing committees dealing specifically with: (1) Audit; (2) Finance, Administration and Planning; (3) Maintenance; and (4) Operations, Public Relations and Marketing.

The Commission employs 32 administrative and maintenance staff on a permanent basis and 47 members of the Canadian Corps of Commissionaires, on a contract basis. On a seasonal basis, the Commission employs approximately 44 painters and 11 gardening staff.

In 2006, the Commission implemented staff changes in the departments of Maintenance, Operations and *MACPASS*/Information Systems. Perhaps the most visible change occurred in Maintenance with the retirement of our 40-year veteran Maintenance Superintendent, Mr. Phil Barrett, at the end of 2005; and the hiring of Mr. Jon Eppell, P.Eng. in the newly created position of Bridge Engineer, in December 2005. In 2006, Mr. Gene Wile, himself a veteran employee of the Commission with 36 years of service, was appointed Maintenance Supervisor of the MacKay Bridge; while Mr. Joseph Kvitek, was hired as Maintenance Supervisor for the Macdonald Bridge.

In June, we bade a fond farewell to Mrs. Heather O'Halloran as she retired after almost 24 years of dedicated service to the Commission in the Finance and Administration department. Some realigning of staffing resources in this department and in *MACPASS* Customer Service were made as a result.

Several staffing changes and redeployment of Corps personnel occurred in Operations under Mr. John Birchall, Operations Manager. In the fourth quarter, the Commission welcomed Mr. John Martin to the newly created position Operations Captain, within the Corps of Commissionaires reporting to the Operations Manager. Increasing safety by increasing the visibility of the Bridge Police presence on the bridges is a key goal of these changes.

The Board recognizes and appreciates the high level of commitment to excellence that is demonstrated by the Commission's permanent and contract employees as well as members of the Corps of Commissionaires.

Strategic Objectives

At the outset of 2006, the Commission defined the following objectives as strategic to carrying out its Mission:

1. Complete a needs assessment that allows the Commission to more accurately develop statements of long-term cash requirements;
2. Develop a Directional Plan communication strategy;
3. Focus on strengthening the Commission's relationships with major stakeholders including the Department of National Defence, Halifax Regional Municipality and Halifax Port Authority;
4. Efficiently manage the directional flow of traffic in the centre lane of the Angus L. Macdonald Bridge on a traffic demand basis;
5. Complete development and implementation of the air gap measurement system to assist with the safe transit of large commercial ships underneath the bridges; and
6. Participate with the 2014 Commonwealth Games Project.

Core Business Areas

At the outset of 2006, the Commission defined the following core business activities for carrying out its Mission:

- Maintain public and employee safety through ongoing review and implementation of the Commission's policies, operations and initiatives;
- Maintain the bridges and its properties in a relatively superior condition through a proactive maintenance program;
- Maintain convenient and reliable passage by working with stakeholders to identify access and egress improvements, which will assist future capacity requirements;
- Continue to market electronic toll collection *(MACPASS)* in order to decrease traffic congestion and accommodate future traffic growth;
- Ensure the Commission's financial stability through efficient financial planning and management.

Leadership and Employee Focus. *Our leaders are competent, energetic and focused on a clear direction for the Commission. Our employees are a most valued asset. We value their years of dedicated service and contributions. They provide both the Commission and our patrons with ongoing exemplary service.*

Our 2006 Report on

Core *business activities*

Safety & Emergency Preparedness

Safety is a fundamental value and focus of the Commission. Members of the Corps of Commissionaires continuously monitor bridge traffic conditions through video surveillance and patrols so they are able to respond quickly 24/7. This is just one component of the Commission's commitment to the safety of the travelling public whether they are walking on the sidewalk, cycling on the bikeway or driving on the roadway. Our commitment to safety also extends to our staff and contract workers. It is priority one.

In 2006, the Commission invested in equipping our emergency response vehicles for the Macdonald and MacKay Bridges with automated external defibrillators (AEDs). Every member of the Bridge Police is trained in the use of these life-saving devices. This is a value-added service the Commission is proud to provide for our patrons because we would rather be safe than sorry. In the same vein, the Commission was proactive with installing emergency telephones along the sidewalk and bikeway of the Macdonald Bridge, in 2006.

Emergency telephones provide peace of mind 24/7.

These telephones give patrons 24/7 direct access to a Corps Warrant Officer in the Macdonald Bridge Control Room and provide those using the phones with the peace of mind that help is on the way. Already this service has proven to be useful. Getting drivers to comply with posted speeds improves safety for the travelling public and for workers on the bridges – maintenance personnel, painters and gardeners, contract workers and Corps personnel. It also improves the efficiency of the bridges by reducing the likelihood of traffic delays resulting from incidents. Since 1997, the Commission has used various speed-enforcement tools. In 2006, the Commission increased the Bridge Police patrols to 16 hours per day, up from 8 hours per day in 2005. We are pleased to report a decline in the quarterly accident statistics in 2006.

The Macdonald and MacKay Bridges are main traffic arteries and fulfill a role in emergency response preparedness. This is a responsibility that the Commission takes very seriously. Being appropriately trained and equipped to handle emergency situations is the responsibility of all core business units of the Commission. The Commission participated in a joint Halifax Regional Municipality (HRM) and Department of National Defence (DND) emergency response exercise in 2006; and holds in-house emergency training exercises. In 2006, the Commission completed the qualification process for expressions of interest for Phase 1 of the Integrated Security Plan. Budget approval has been given for implementation of Phase 1 to commence in 2007.

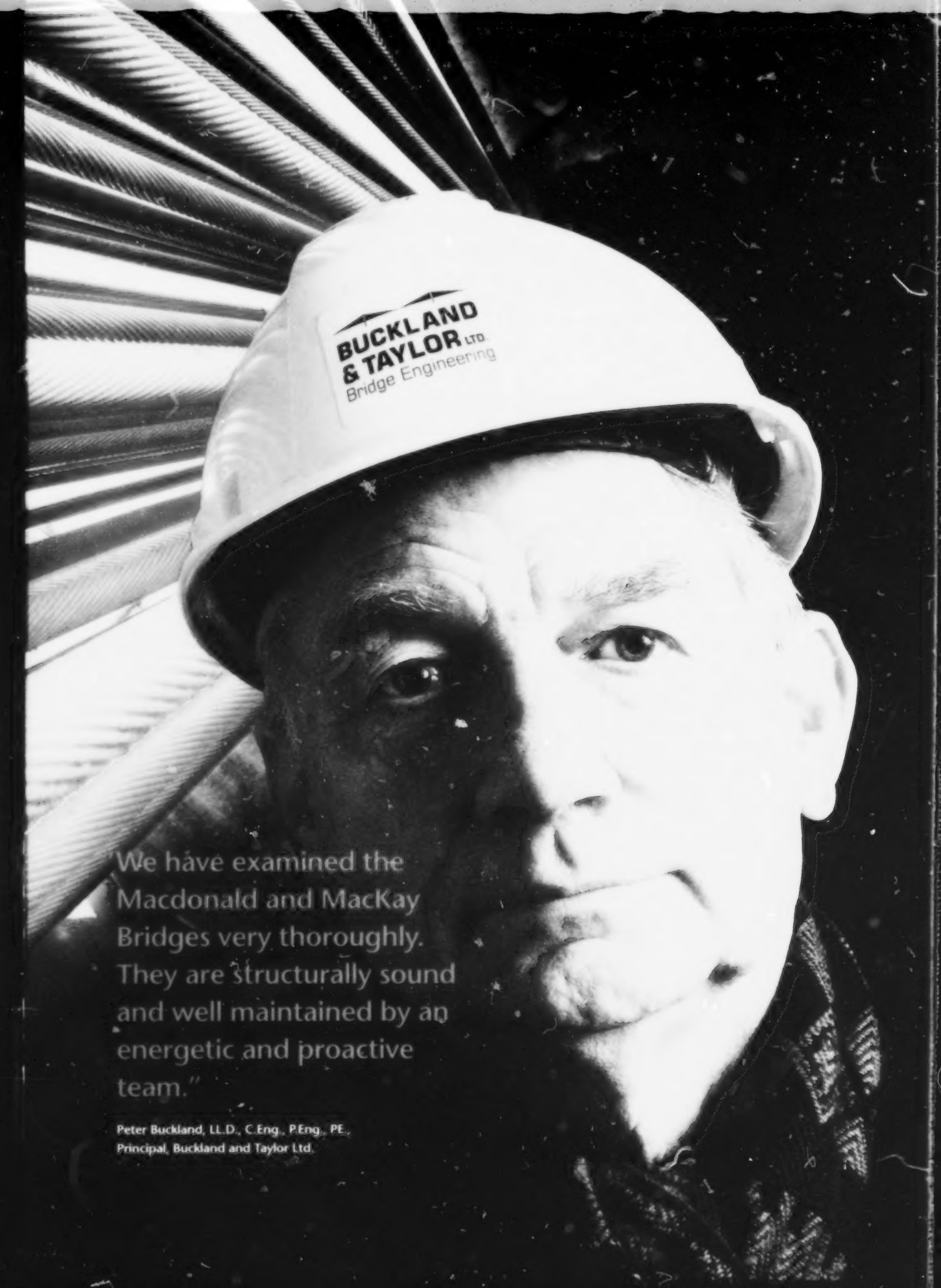
Did you know Bridge Police issued 683 tickets and 1,308 warnings for speeding violations on the bridges, in 2006?

Proactive maintenance

THE BRIDGES ARE INSPECTED to the highest standards for major bridges in Canada. Since their construction, the bridges have been put through an intense physical inspection every year to ensure that any maintenance requirements are identified promptly and proper action taken. With cars, trucks and busses crossing the Macdonald and MacKay Bridges more than 32 million times every year, annual bridge inspections are one way that the Commission ensures vehicles can continue to do so safely.

Commitment to a detailed and attentive program is essential to maintaining the bridges in a relatively superior manner and ensuring the safety of the travelling public. Commission staff and consulting engineers conduct ongoing monitoring and thorough annual inspections of the bridges and approaches to identify immediate and long-term requirements. In 2005, bridge engineers with Buckland and Taylor Ltd. completed a major Bridge health study for the Macdonald Bridge. A similar major report was conducted by this firm for the MacKay Bridge, in 2006. Requirements identified in the reports are incorporated into the Commission's maintenance schedule and capital improvements program. In the case of the Macdonald Bridge, the Study resulted in the addition of tie-backs from the cable bents to the anchorages; work that was completed in 2006. Several projects are planned for 2007 and 2008 in relation to the MacKay Bridge health study.

Future Generations: Our revenue goes to the maintenance of our current assets and the future assets that our customers need.


BUCKLAND
& TAYLOR LTD
Bridge Engineering
We have examined the Macdonald and MacKay Bridges very thoroughly. They are structurally sound and well maintained by an energetic and proactive team."
Peter Buckland, LL.D., C.Eng., P.Eng., PE.
Principal, Buckland and Taylor Ltd.

Conserving steel on the bridges is an ongoing priority. Every year since 1965, the Commission has employed a painting force whose responsibility is to manually examine the steel for areas of deterioration, to eradicate the rust from that location and to apply protective coatings/paint. We appreciate and benefit from the fact that most of our painters return to the bridges each year.

The top two maintenance programs in 2006 were successfully completed: (1) to finish painting the Macdonald Bridge main cables and suspender ropes; and (2) the installation of tiebacks for the Macdonald Bridge. Repairing and/or replacing the sliding bearings and shoes on the MacKay Bridge was deferred to 2007. These sliding bearings allow the bridge to flex and move in response to heavy vehicles and winds. This will be the first replacement of these in the Bridge's 37-year history.

Resurfacing the wheeltracks of all 3 lanes of the Macdonald Bridge (from cable bent to cable bent) was completed in 2006. The wearing surface applied in 1999 had diminishing traction and was not considered to be performing adequately. To aid in selecting a replacement wearing surface, sample patches were laid on the bridge deck, in 2005 and their relative performances monitored for one year. In 2006, the material that yielded the best result was used to resurface the wheel tracks. This resurfacing improves the performance and maintains the integrity of the roadway.

It takes 36 painters working from May to October each year for 3 years to complete one paint cycle for the Macdonald and MacKay Bridges.

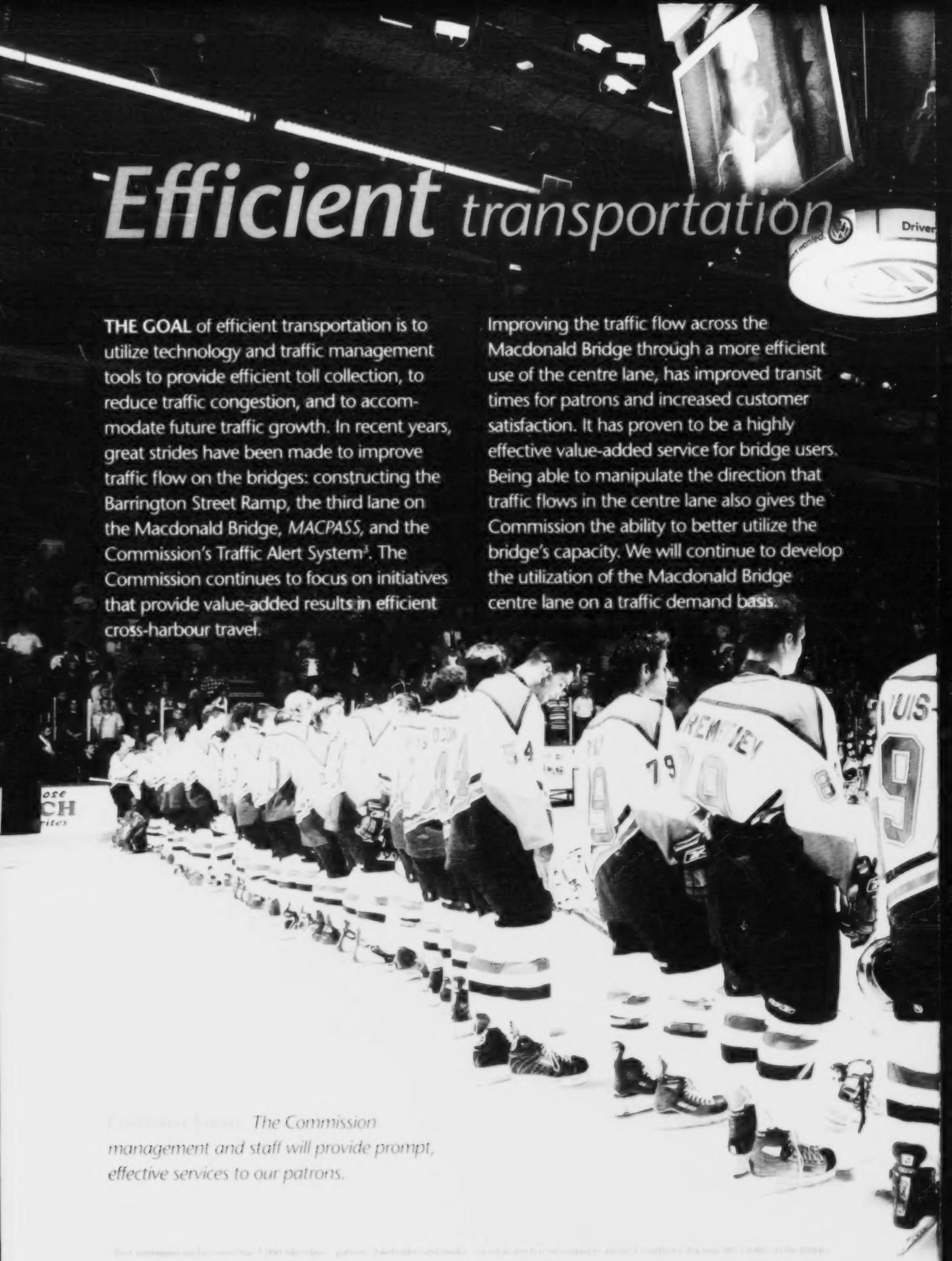
Air Gap Project. *The installation of the GPS-based Air Gap System[2] on the Macdonald and MacKay Bridges measures in real time the air gap below these structures. It began in 2005 as a joint effort of the Halifax-Dartmouth Bridge Commission and the Halifax Port Authority. Given the shipping industry trend toward larger containerships (post-Panamax containerships), the ability to accurately determine the air gap clearance is important to the Commission, in terms of ensuring public safety and the integrity of the bridges; and to the Halifax Port Authority in terms of the Atlantic Gateway concept and for efficiency in scheduling vessel transits under the bridges with tidal fluctuations. In 2006, work began on Phase II of the air gap project – finalizing the automation software for the GPS system – and is expected to be completed in 2007.*

[2] Air gap is defined as the clearance measurement from the waterline of the harbour to the lowest point of a bridge's superstructure.

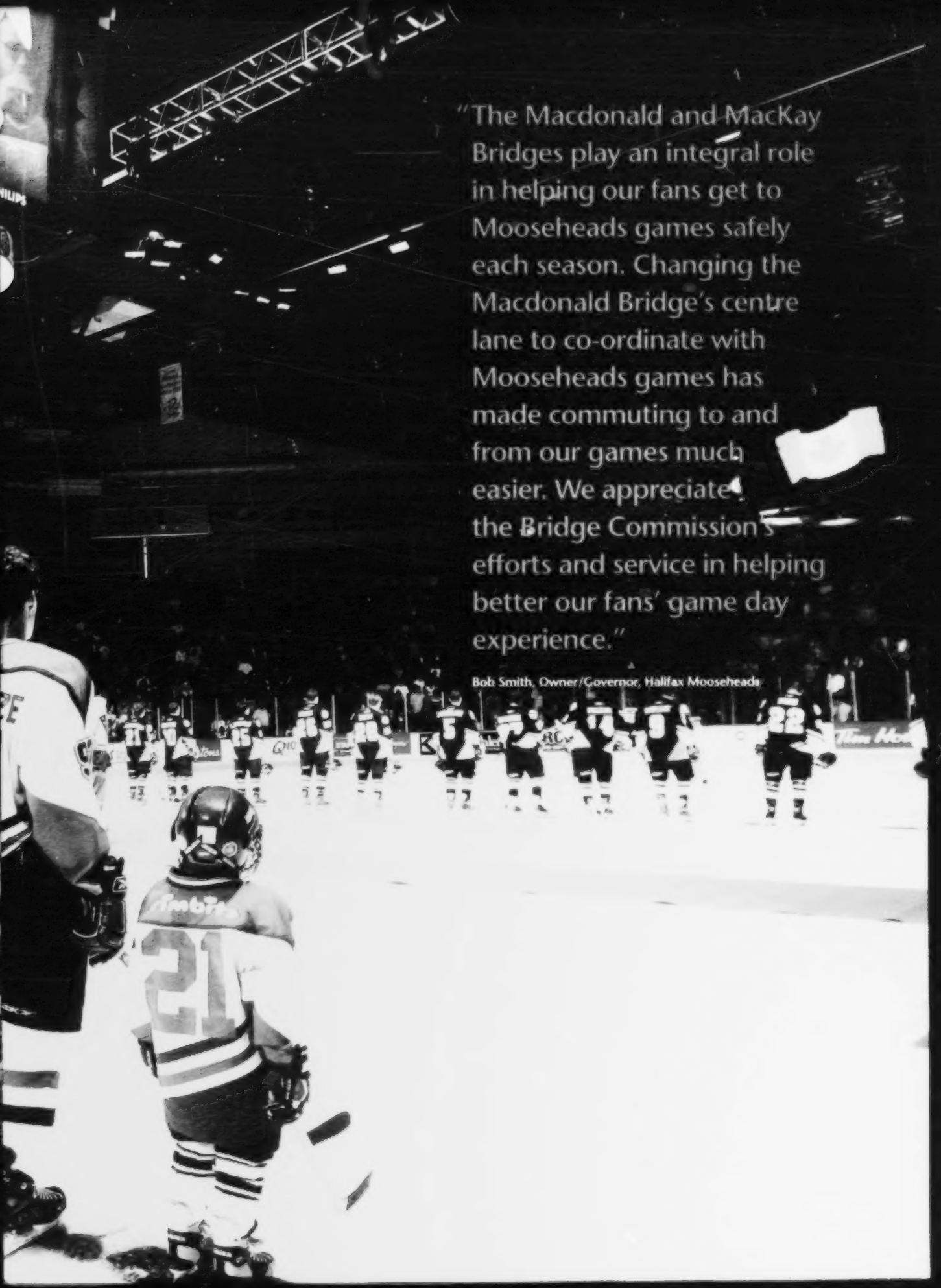
Efficient transportation

THE GOAL of efficient transportation is to utilize technology and traffic management tools to provide efficient toll collection, to reduce traffic congestion, and to accommodate future traffic growth. In recent years, great strides have been made to improve traffic flow on the bridges: constructing the Barrington Street Ramp, the third lane on the Macdonald Bridge, *MACPASS*, and the Commission's Traffic Alert System[3]. The Commission continues to focus on initiatives that provide value-added results in efficient cross-harbour travel.

Improving the traffic flow across the Macdonald Bridge through a more efficient use of the centre lane, has improved transit times for patrons and increased customer satisfaction. It has proven to be a highly effective value-added service for bridge users. Being able to manipulate the direction that traffic flows in the centre lane also gives the Commission the ability to better utilize the bridge's capacity. We will continue to develop the utilization of the Macdonald Bridge centre lane on a traffic demand basis.



The Commission management and staff will provide prompt, effective services to our patrons.



"The Macdonald and MacKay Bridges play an integral role in helping our fans get to Mooseheads games safely each season. Changing the Macdonald Bridge's centre lane to co-ordinate with Mooseheads games has made commuting to and from our games much easier. We appreciate the Bridge Commission's efforts and service in helping better our fans' game day experience."

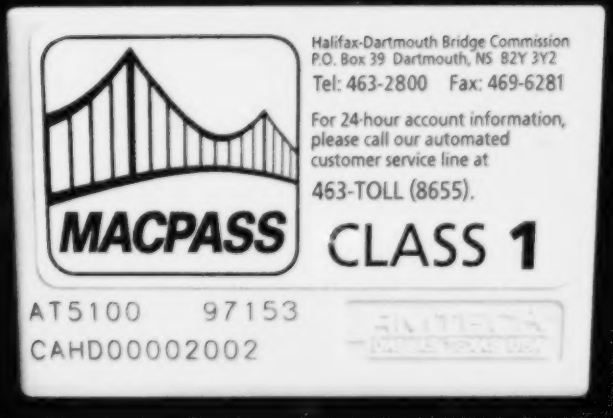
Bob Smith, Owner/Governor, Halifax Mooseheads

In 2006, there were 169 days where traffic levels on the bridges exceeded 100,000 crossings per day. More and more this is becoming the norm, whereas just six years ago (in 2001) there were only 45 days in the whole year with more than 100,000 vehicle crossings. Looking toward the future, the Commission has begun the process of replacing the current *MACPASS* Toll Collection System with one that will provide additional opportunities for the Commission to increase efficiencies for traffic management and through-put volumes. The modular design and forward-thinking approach to this new implementation will significantly improve the Commission's ability to carry out its mandate and take advantage of future regional electronic fare payment opportunities, such as parking.

As a result of long-term planning, the Commission spent considerable effort in 2006 preparing and presenting its application to the Nova Scotia Utility and Review Board (NSUARB). The overall application filed in July 2006, was revenue neutral for the Commission. It focused on bringing the bridges technologically in line with North American standards for toll collecting namely: the elimination of tokens as a form of payment; the conversion to axle-based tolling; and the elimination of the deposit requirement for *MACPASS* transponders. The NSUARB heard the application at public hearings held in Halifax on October 16 and 17, 2006. The NSUARB decision was rendered on January 22, 2007 granting the Commission full approval of its application. The Commission expects to implement the NSUARB decision in 2008, in conjunction with the implementation of its new electronic toll collection system.

The Commission is working with Halifax Regional Municipality on design improvements for the Windsor/ Robie/Barrington Street merge on the Halifax approaches to the MacKay Bridge. This is being done to increase bridge capacity. The plan is to construct the improvements in 2007.

Go MACPASS! MACPASS reduces toll plaza congestion for less idling time. This saves bridge users gas and cuts harmful emissions.



THE ELIMINATION OF TOKENS, the change in vehicle classification methodologies, and the removal of the *MACPASS* deposit are important strategic changes that will allow us to increase the capabilities of the *MACPASS* program. Converting bridge users from tokens to *MACPASS* and expanding the capabilities of *MACPASS* are priorities of the Commission. At the end of 2005, there were 73,809 active *MACPASS* transponders on the system. By the end of 2006, this had increased to 83,000 active transponders and *MACPASS* had processed almost 16.9 million transactions, or 52% of the year's 32.4 million vehicle crossings on the Macdonald and MacKay Bridges.

Community Support

The Commission is proud to encourage healthy, active lifestyles for Nova Scotians. When the Macdonald Bridge opened in 1955, pedestrians and cyclists paid tolls to use the bridge, cyclists shared the two-lane roadway with motor vehicles, and pedestrians used a narrow sidewalk adjacent to the roadway. Today, cyclists and pedestrians travel the Macdonald Bridge toll-free and are rewarded with some of the best views of the city from the safety of a dedicated bicycle path and walkway. This year, emergency telephones were installed along the sidewalk and bike path.

The Commission was pleased to once again partner with the Halifax-Dartmouth Natal Day Festival. For 2006, events included a spectacular Natal Day Fireworks display from the Macdonald Bridge, the 12th Annual Aerobics First BridgeMile, a pancake breakfast sponsored by the Department of National Defence, the Halifax-Dartmouth Natal Day Parade and the Commission's 24th Annual Bridge Walk.

New this year was the debut of our mascot, *Mr. MACPASS*. Bright, colourful and very animated, *Mr. MACPASS* was there to welcome Santa Claus and wake-up Woody the Talking Christmas Tree at Mic Mac Mall, and to celebrate the Christmas Tree Lighting at Sullivan's Pond. He danced up a storm on the *MACPASS* float in the Downtown Halifax Business Commission's Holiday Parade of Lights and the Light Up Bedford Parade. More opportunities will be explored for *Mr. MACPASS* in 2007.

The Commission is one of the original sponsors of the Blue Nose International Marathon and a founding partner of the Aerobics First BridgeMile. We are also pleased to support the work of organizations in our communities through the Commission's floral design and bridge banner programs.

The bridges were built to bring people and communities together. The Commission is proud to support our communities.

Wow! On December 15, 2006, cars, trucks and busses crossed the Macdonald and MacKay Bridges a record 115,448 times!

Solid Financial Management

Financial management and stability are achieved through careful review, development and implementation of policies, plans and budgets that allow us to continue to effectively collect tolls, maintain the reliability of internal control systems, meet obligations to Bondholders, meet capital project requirements, manage the Operating and Maintenance Budget, and use the Commission's cash flow for capital expenditures and reduction of debt.

Our measures to achieve solid fiscal management are: maintaining a positive cash flow; and the accumulation of capital and sinking funds with a contribution of $5 million per year to these funds. Indicative of the Commission's solid financial position are our Toll Revenue BondSeries 1 which are rated by Dominion Bond Rating Service Limited as AA (low) and rated A+ positive (upgraded on October 3, 2006 from A+) by Standard and Poors Ratings Services.

In 2006, the Commission reduced its debt by $5 million (refer to a full discussion in the Management Discussion and Analysis section of this report, page 18.

The Iron Worker by Halifax Artist Peter Bustin. A bronze sculpture commemorating those who built the Angus L. Macdonald Bridge.

Business Model. *Our business model is based on user pay for services they receive at a reasonable cost. We use our profits for sustainability.*

The Halifax-Dartmouth Bridge Commission (the Commission) is pleased to present its Management Discussion and Analysis with respect to the year ended December 31, 2006.

The date of this MD&A is March 23, 2007.

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission during the fourth quarter of 2006 relative to 2005, and for the full year ended December 31, 2006 relative to 2005 and 2004. It combines an analysis of trends and year – to – year changes in the results with an outlook to the end of 2007.

This discussion and analysis should be read in conjunction with the Commission's annual audited financial statements and supporting notes. The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

The dollar amounts in this presentation are in thousands and in Canadian dollars.

This MD&A is filed by the Halifax-Dartmouth Bridge Commission (the "Commission") in accordance with Rule 51 – 102 of the Nova Scotia Securities Commission for the year ended December 31, 2006. As the only securities which have been issued by the Commission are its Toll Revenue Bonds Series 1, the Commission reports as a "venture issuer" for the purposes of Rule 51 – 102.

Additional information relating to the Commission, including its 1997 prospectus, subsequent annual and interim reports, and its Rule 51 – 102 MD&A for the fiscal year ended December 31, 2006, are available at **www.sedar.com**.

The Commission's web site is **www.hdbc.ca**.

The Management's Discussion and Analysis and the audited financial statements for the year ended December 31, 2006 have been approved by the Audit Committee of the Commission and by the Commission.

Overview

The Commission was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* – Statutes of Nova Scotia, 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

The Commission consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors to the Commission's Board.

The Commission reports to the Legislature through the Minister of Finance.

Business

The Commission has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

The Commission has not, at this time, been requested to undertake the construction of a third crossing but is participating in a needs analysis of a third crossing as requested by the Halifax Regional Municipality.

Team Work and Communications. *Our team approach ensures that all members are working towards a shared vision, mission, values and goals. Our communications are based on trust, mutual respect, openness, and clear and reliable information.*

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition

The Commission does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by the Commission which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry only pedestrians and bicyclists.

Financial Affairs

The Commission manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally. In 2007, the Commission will be refinancing approximately $60 million.

The Commission is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility

For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of its act of incorporation, the Commission is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidences of indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations

The Commission is subject to securities regulations in all provinces of Canada.

Significant Items

2007 NSUARB Ruling

On July 24, 2006, the Commission filed an application to the NSUARB to amend its existing rates, tolls and charges by replacing the present registered gross vehicle weight classifications with an axle-based classification system; the elimination of tokens as a method of payment; and eliminate the requirement for *MACPASS* users to pay a deposit for the transponders. It should be noted that this application is not for a rate increase but a change in assessing tolls that is consistent with other tolling agencies.

On January 22, 2007, the NSUARB approved the application as presented. These changes will not go into effect until some time in 2008 and will coincide with the adoption and implementation of the Commission's new automated vehicle classification and automated toll collection systems. Cash, tokens and *MACPASS* will continue as valid payment methods until that time.

2007 Maturity of Toll Revenue Bonds Series 1 and Maturity of the Line of Credit with the Province of Nova Scotia

Dollars in thousands

The Commission's Toll Revenue Bonds Series 1, in the principal amount of $94,379, will mature on December 4, 2007. The outstanding Line of Credit with the Province of Nova Scotia in the amount of $12,000 will mature the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. These debt liabilities will be partially repaid using monies derived from the four reserve funds that were established pursuant to Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 (hereinafter the "Trust Indenture"). This will require that the Commission obtain new financing in the amount of approximately $60,000. The terms and conditions for the new financing have not been determined at this time.

2006 Reduction in Line of Credit with the Province of Nova Scotia

Dollars in thousands

On May 29, 2006, the Commission reduced its outstanding Line of Credit with the Province of Nova Scotia by $5,000 down to $12,000 from $17,000. This is in addition to the $2,000 reduction in 2005 and $4,000 reduction in 2004.

Review of 2006

The Commission's net income increased by $917 to $1,987 in Q4 2006 compared to $1,070 in Q4 2005. Annual net income increased by $2,269 to $7,652 in 2006 compared to $5,383 in 2005 and $5,620 in 2004.

The major contributing factors to the noted increases in both Q4 2006 and 2006 annual figures are summarized as follows:

1. Other Rate Revenue: Increases recognized in 2006 are due to retroactive re-negotiated lower rates for cables across the bridges for 2004 and 2005 that were absorbed in 2005.
2. Restricted Funds Investment Income: Increases reflected quarter over quarter and year over year are due to increased investments in the Capital Fund and Sinking Fund as required by the Trust Indenture.
3. Operating and Maintenance Expenses: Decreases in Q4 2006 in the overall amount of $512 as compared to Q4 2005 is mainly attributable to the recognition in 2005 of an expense for the Supplementary Employee Retirement Plan (SERP) for $546 (see Notes to Financial Statements #13). This is also reflected in the annual figures for 2006 and 2005. Annual Operating and Maintenance expenses for 2005 were significantly higher over both 2006 and 2004 due to the stiffener removal project, several 50th Anniversary events for the Angus L. Macdonald Bridge, the recognition of the "Billionth Crossing", and the unveiling of the commemorative ironworker statue in 2005.
4. Amortization of Property, Plant and Equipment and Amortization of Deferred Transponder Charges: Decreases recognized in Q4 2006 compared to Q4 2005 and in annual figures year over year are mostly due to a change in accounting estimate of the useful life of the transponders from October 31, 2010 to December 31, 2017 (see Notes to Financial Statements #9).

Net Income/Deficit

Dollars in thousands for years ended December 31

	Three Months Ended December 31		Year Ended December 31		
	2006	2005	2006	2005	2004
Toll revenue	$ 5,901	$ 5,851	$ 23,382	$ 23,059	$ 22,978
Other rate revenue	1	(35)	144	102	153
Restricted funds investment income	519	418	1,918	1,572	1,371
Other	76	108	433	327	282
Total Revenue	**6,497**	**6,342**	**25,877**	**25,060**	**24,784**
Operating expenses	1,190	1,263	4,350	4,446	4,037
Maintenance expenses	744	1,183	3,029	3,958	2,671
Amortization of property, plant and equipment	846	1,050	3,793	4,256	4,305
Amortization of deferred transponder charges	(21)	16	27	65	65
Interest on long-term debt & amortization of deferred financing costs	1,751	1,760	7,026	6,959	7,197
Loss (gain) on disposal of property, plant and equipment	–	–	–	(7)	360
Total Expenses	**4,510**	**5,272**	**18,225**	**19,677**	**18,635**
Net Operating Income	**1,987**	**1,070**	**7,652**	**5,383**	**6,149**
Premium on bonds purchased for cancellation	–	–	–	–	**529**
Net Income	**1,987**	**1,070**	**7,652**	**5,383**	**5,620**
Deficit, beginning of year (period)	**(40,104)**	**(40,098)**	**(40,763)**	**(39,603)**	**(38,854)**
Appropriation to Restricted Asset Reserve	**(2,257)**	**(1,735)**	**(7,263)**	**(6,543)**	**(6,369)**
Deficit, end of year (period)	**$ (40,374)**	**$ (40,763)**	**$ (40,374)**	**$ (40,763)**	**$ (39,603)**

Results of Operations

Dollars in thousands

For the year ended December 31, 2006, net income was $7,652 as compared to $5,383 for 2005 and $5,620 for 2004. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

Revenues

Dollars in thousands

Toll Revenue

Toll Revenue for 2006 was up $323 from 2005 and up $404 from 2004. Traffic volume in 2006 was up by 508,195 vehicles or 1.5685% over 2005 and up by 672,617 vehicles or 2.1199% over 2004. This increase in traffic volume can be attributed to fewer weather-related disruptions, no major traffic disruptions due to construction projects, and a general increase in the travelling public utilizing the bridges in 2006 as compared to 2005 and 2004.

Other Rate Revenue

Other rate revenue in 2006 was up $42 from 2005 and down $9 from 2004. The differences reflect the retroactive re-negotiated lower rates for cables across the bridges for 2004 and 2005 that were absorbed in 2005. The other rate revenue represents amounts charged to various businesses, utilities and the Halifax Regional Municipality (HRM) for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and a water line from one side of the harbour to the other; a re-negotiated land lease agreement; and Commission property access licence agreements.

Investment and Sundry Income

Investment income on the Operations and Maintenance (OM) Fund, Debt Service Fund and Capital and Sinking Funds amounted to $1,918 for 2006, compared to $1,572 in 2005 and $1,371 in 2004. These increases are due to continued investments in the Capital Fund and Sinking Fund as required by the Trust Indenture.

Other Revenue

Other Revenue increased in 2006 by $106 over 2005 and by $151 over 2004. These increases are primarily due to the Commission having a larger balance in its interest bearing current bank account along with higher interest rates.

Total Revenue

These revenue changes resulted in an increase in total revenue during 2006 of $817 compared to 2005 and an increase of $1,093 over 2004.

Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST/GST it expends on goods and services.

Revenue Outlook

- Toll revenues are expected to remain the same in 2007 as in 2006. The Nova Scotia Utility and Review Board (NSUARB) ruling on January 22, 2007 grants permission for the Commission to eliminate tokens as a method of toll payment and to implement an axle-based toll system. The ruling also allows the Commission to eliminate the requirement for *MACPASS* users to pay a deposit for transponders. These changes will not go into effect until 2008 and will have no effect on toll revenue for 2007 as the travelling public transitions over from token usage to *MACPASS* usage.
- Other rate charges in 2007 are expected to remain the same as in 2006.
- Investment income is expected to decrease in 2007 as a result of the decreased earnings in the Sinking Fund and Capital Fund, to which additional amounts will only be transferred from operations in 2007 for the first three quarters, as required by the Trust Indenture, due to the maturing of the Toll Revenue Bonds Series 1 on December 4, 2007 (see Notes to Financial Statements #4 and #6).
- Other income is expected to increase in 2007 over 2006 due to increased funds on deposit and anticipated higher interest rates.

Expenses

Dollars in thousands

Operating and Maintenance Charges (OM)

Operating expenses in 2006 decreased by $96 compared to 2005 but increased by $313 over 2004. The major operating expenses that decreased as compared to 2005 were: wages $105; public relations $104; general and office $5; and taxes $3. The Operating wages decrease from 2005 is primarily due to the recognition in 2005 of an expense of $207 for the Supplementary Employee Retirement Plan (see Notes to Financial Statements #13). The decrease in public relations is primarily due to the 50th Anniversary events for the Angus L. Macdonald Bridge in 2005. The following operating expenses increased in 2006 as compared to 2005: commissionaires $15; insurance $35; professional fees $52; telephone and communications $10; and *MACPASS* operations $9. The increases to be noted as compared to 2004 were for: commissionaires $122; insurance $81; professional fees $39; and wages $69.

Maintenance expenses decreased by $929 in 2006 compared to 2005 but increased by $358 over 2004. During 2006, decreases were seen in the following major maintenance expense items as compared to 2005: bridge maintenance $766; wages $260; heating $25; vehicle maintenance $18; equipment maintenance $15; and salt cost $7. The decrease in bridge maintenance is attributable to the stiffener removal project in 2005 and a delay/postponement of 2006 projects. The Maintenance wages decrease from 2005 is primarily due to the recognition in 2005 of an expense of $339 for the Supplementary Employee Retirement Plan (see Notes to Financial Statements #13). The following maintenance expense items increased in 2006 as compared to 2005: painting $81; building maintenance $44; gas, oil, grease $17; landscaping supplies $12; engineers' fees $6; and light and power $3. The increases to be noted as compared to 2004 were primarily for wages in the amount $339 due to increased staff in maintenance, painting and landscaping.

Amortization of Property, Plant and Equipment

Amortization (depreciation) of property, plant and equipment for the year 2006 decreased by $463 compared to 2005 and by $512 for 2004. This is due to fewer capital asset purchases in 2006 and a change in accounting estimate in the useful life of the transponders which has been extended to December 31, 2017 from October 31, 2010. This change in accounting estimate resulted in the amortization for the transponders for 2006 to be recorded at $101 versus $250 and compared to $211 in 2005 and $209 in 2004 for the shorter amortization period.

Amortization of Deferred Transponder Charges

The change in accounting estimate reflected in the extension of the useful life of the transponders also applies to the amortization period of deferred transponder charges. The amortization period extension to December 31, 2017 from October 31, 2010 resulted in the deferred transponder charges for 2006 to be recorded at $27 versus $65 recorded in both 2005 and 2004 for the shorter amortization period (see Notes to Financial Statements #9).

Interest on Short (Long) Term Debt and Amortization of Deferred Financing Costs

Interest on Toll Revenue Bonds Series 1 remained consistent with 2005 at $5,615 and is down from $5,683 in 2004 at which time the Commission had purchased for cancellation $5,621 of the outstanding Toll Revenue Bonds Series 1 reducing the liability to $94,379 from $100,000.

Interest expense on the Line of Credit with the Province of Nova Scotia was up by $67 in 2006 compared to 2005 and up by $82 over 2004 as a result of higher interest rates in 2006. This was offset slightly by the reduction in the Line of Credit by $5,000 on May 29, 2006.

Amortization of deferred financing costs in the year 2006 was the same as in 2005 at $795 and down from $980 in 2004 which is tied to the reduction in the Toll Revenue Bonds Series 1 liability.

Gain on Disposal of Property, Plant and Equipment

The Commission did not recognize any overall gains on the disposal of property, plant and equipment in 2006 compared to the overall gain of $7 in 2005 and the overall loss of $360 in 2004 due to the premature replacement of the roadway wearing surface.

Total Expenses

Expense variations resulted in a decrease in total expenses for 2006 of $1,452 compared to 2005 and a decrease of $410 compared to 2004.

Expense Outlook

- OM expenses are expected to increase in 2007 over 2006 due to a change in the timing of planned operational and maintenance projects budgeted at a cost of $800 which were carried forward from 2006 and increased insurance premiums and professional fees.
- Amortization of property, plant and equipment is expected to increase in 2007 from the amount recorded in 2006 due to major budgeted 2007 capital asset purchases.
- Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs for 2007 are expected to remain fairly consistent with 2006. It should be noted that the Toll Revenue Bonds Series 1 are maturing on December 4, 2007.
- Interest on the Line of Credit with the Province of Nova Scotia is expected to increase in 2007 compared to 2006 due to anticipated interest rate increases. It should be noted that the Line of Credit matures the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1.

Appropriation to Restricted Assets

Dollars in thousands

As required by the Trust Indenture, the Commission has established two reserve funds: the OM Fund equal to 25% of annual OM expenses budgeted for the following year and a Debt Service Fund equal to 50% of annual interest costs budgeted for the following year on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the Trust Indenture.

Under the terms of the Trust Indenture, beginning in 2000 the Commission established a Sinking Fund to which it deposits $500 quarterly and a Capital Fund to which it deposits $750 quarterly (the amounts of these required contributions are not affected by the reduction to the principal amount of Bonds outstanding). These funds are restricted in their use and are designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Appropriation to Restricted Assets Outlook

Under the terms of the Trust Indenture, the Commission will maintain and contribute to the Capital Fund and Sinking Fund, as required, for the first three quarters of 2007.

Net Income Outlook

- Revenue for 2007 is expected to decrease slightly over 2006.
- Expenses for 2007 are expected to increase significantly over 2006.
- Overall, it is expected that net income for 2007 will decrease from 2006 proportionately with the increase in expenses.

Summary of Quarterly Reports

Quarterly total revenues remained fairly consistent over seven of the last eight quarters. Q1 2005 reflects a drop in revenue due to severe weather conditions experienced during that quarter.

Fluctuations in the net income quarterly results is indicative of the timing of various maintenance projects throughout the year with the noted drop in Q3 and Q4 of 2005 which is mainly attributable to the stiffener removal project on the A. Murray MacKay Bridge and the 50th Anniversary of the Angus L. Macdonald Bridge celebration events.

The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series 1 are outstanding.

Dollars in thousands for years ended December 31

For the Quarter Ended	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Total Revenues	$ 6,497	$ 6,554	$ 6,539	$ 6,286	$ 6,342	$ 6,365	$ 6,494	$ 5,866
Net Income	$ 1,987	$ 1,599	$ 2,004	$ 2,061	$ 1,070	$ 953	$ 1,833	$ 1,526

Balance Sheet

Total assets continue to increase as the Commission makes its quarterly investments to the Capital Fund and Sinking Fund as required by the Trust Indenture.

The Balance Sheet reflects that the Restricted Assets (four reserve funds) for 2006 have been reported under current assets due to their maturity dates occurring throughout 2007 but prior to December 4, 2007.

The short (long) term debt of $106,379 is made up of $94,379 Toll Revenue Bonds Series 1, which bear an annual interest rate of 5.95% and mature on December 4, 2007, and a Line of Credit with the Province of Nova Scotia of which $12,000 is outstanding. This revolving Line of Credit has a limit of $30,000 and bears a floating interest rate. During 2005 and up to December 31, 2006, this rate ranged between 2.88% and 4.77%. The Line of Credit also matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the Line of Credit is paid annually. These liabilities are now recorded as current liabilities for 2006 but remain under long term liabilities for 2005.

The Toll Revenue Bonds Series 1 are rated as follows at December 31, 2006:

Dominion Bond Rating Service Limited	AA (low)
Standard and Poor's Ratings Services	A+/Positive (Upgraded from A+ on October 3, 2006)

Dollars in thousands for years ended December 31

	2006	2005	2004
Total Assets	$ 121,079	$ 117,601	$ 113,436
Total Short (Long) Term Liabilities	$ 107,006	$ 111,925	$ 113,379

Liquidity

Dollars in thousands

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a negative cash flow for 2006 of $875 compared to the positive cash flow of $1,507 for 2005.

Operating Activities

The Commission's operating activities generated $12,929 in positive cash flow during 2006. In 2005, a positive cash flow from operations of $10,616 was generated. Continued positive cash flow from operations is anticipated for 2007.

Investing Activities

The Commission incurred capital expenditures of $1,568 in 2006, up from $1,119 in 2005 which is primarily due to the costs incurred as part of the initial stages of the new toll system replacement project and resurfacing work done on the Angus L. Macdonald Bridge.

Under the terms of the Trust Indenture, the Commission maintains four reserve funds. Quarterly contributions to the Capital Fund in both 2005 and 2006 were $750; the year on year increase to investment in the Capital Fund from $3,872 to $4,042 reflects greater earnings by that fund. Similarly, quarterly contributions to the Sinking Fund in both 2005 and 2006 were $500; the year on year increase to investment in the Sinking Fund from $2,570 to $2,679 reflects greater earnings by that fund. Quarterly contributions to the Capital Fund and Sinking Fund will only occur for the first three quarters of 2007 for a total combined contribution to these funds of $3,750 in 2007.

The OM Fund increased by $447 over 2005 and the Debt Service Fund decreased by $7 as compared to 2005. The net increase of $440 is the result of the requirements of the Trust Indenture to have the OM Fund maintained at 25% of the annual OM expenses and the Debt Service Fund maintained at 50% of annual interest.

The Commission incurred a long term liability expense of $26 in 2006 which represents the interest cost component of the net periodic pension costs for the Supplementary Employee Retirement Plan. This is in addition to the $546 investment in 2005 representing the establishment of the Supplementary Employee Retirement Plan.

Financing Activities

On May 29, 2006 the Commission further reduced its Line of Credit with the Province of Nova Scotia by $5,000 to bring the outstanding total to $12,000 from $17,000. This reduction was funded from cash on hand. This is in addition to the $2,000 reduction in 2005 and the $4,000 reduction in 2004.

Capital Resources

Dollars in thousands

Capital expenditures for 2006 were $1,568 which included the following significant items:

- Angus L. Macdonald Bridge (ALM) – Tiebacks Project $442;
- ALM – Suspended Span Resurfacing $126;
- ALM – Emergency Telephone System $82;
- ALM Bridge Vehicle $40;
- A. Murray MacKay Bridge (AMM) – Administration Building Upgrade Renovations $103;
- AMM – Emergency Power Upgrade Project $116;
- AMM Bridge Vehicle $46;
- Replacement of Toll Collection System Software Project (initial phase) $236;
- Transponder Purchases (net of sales) $188.

The Commission's capital requirements budget for 2007 is estimated at approximately $14,400 and encompasses major expenditures such as: $8,000 for the replacement of the toll system software; $1,500 for the commencement of a three year security upgrade project; and $1,200 for required improvements to the AMM Halifax approach.

The Commission expects to meet its obligations with cash flows generated from operations and debt financing in 2007. This statement is supported by the retirement of existing short (long) term debt obligations in the amount of $106,379 and subsequent refinancing of approximately $60,000 which will occur in December, 2007.

Related Party Transactions

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission paid $5,000 on the outstanding Line of Credit to the Province of Nova Scotia leaving a balance at December 31, 2006 of $12,000 (2005, $17,000 and 2004, $19,000). In addition, the Commission paid interest during the year on the Line of Credit to the Province of Nova Scotia in the amount of $616 (2005, $549 and 2004, $534).

Financial Instruments

Fair Value of Financial Instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short (long) term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate short (long) term debt, as disclosed in Notes to Financial Statements #4 and #6 respectively.

Interest Rate Risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Notes to Financial Statements #4. The Commission is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset quarterly as market rates change, as indicated in Notes to Financial Statements #6.

Management Report

For the Year Ended December 31, 2006
The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally through its Audit Committee.

The Audit Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer

Auditor's Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2006 and 2005 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 15, 2007

Ken Munro (left), Steven Snider (right)

Balance Sheet

Dollars in thousands for years ended December 31

	2006	2005
Assets		
Current:		
Cash (note 1(e))	$ 7,477	$ 8,352
Receivables		
Trade	78	180
Accrued receivables	39	32
Recoverable HST (note 2)	184	115
Prepaid expenses	439	276
	8,217	**8,955**
Restricted assets (note 4)		
OM Fund	2,659	–
Debt Service Fund	2,808	–
Sinking Fund	16,639	–
Capital Fund	25,172	–
	47,278	–
	55,495	**8,955**
Deferred financing costs and discounts, net of accumulated amortization of $7,694 (2005, $6,899) (note 1(d))	729	1,524
Deferred transponder charges, net of accumulated amortization of $361 (2005, $335) (note 9)	296	323
Property, plant and equipment (note 3)	64,559	66,784
Restricted assets (note 4)		
OM Fund	–	2,114
Debt Service Fund	–	2,811
Sinking Fund	–	13,960
Capital Fund	–	21,130
	–	**40,015**
	$ 121,079	**$ 117,601**
Liabilities		
Current:		
Payables and accruals, trade	$ 1,022	$ 694
Project holdbacks payable	360	298
Accrued payables	449	474
Refundable customer transponder amounts (note 9)	2,304	2,046
Deferred revenue (note 1(b) and note 5)	3,033	2,911
Toll Revenue Bonds Series 1	94,379	–
Line of credit	12,000	–
	113,547	**6,423**
Unearned revenue	55	–
Supplementary employee retirement plan liability (note 13)	572	546
Long term debt (note 6)		
Toll Revenue Bonds Series 1	–	94,379
Line of credit	–	17,000
	114,174	**118,348**
Surplus/Deficit		
Reserve for restricted assets (note 4)	47,279	40,016
Deficit	(40,374)	(40,763)
	6,905	**(747)**
	$ 121,079	**$ 117,601**

Contingencies (note 15)

On Behalf of the Commission

Tom Calkin
Chair

Wayne Mason
Vice Chair

Statement of Income and Deficit

Dollars in thousands for years ended December 31

	2006	2005
Revenue:		
Toll revenue (note 1(b))	$ 23,382	$ 23,059
Other rate revenue	144	102
Investment and sundry income		
Restricted funds investment income	1,918	1,572
Other	433	327
Total Revenue	**25,877**	**25,060**
Expenses:		
Operating expenses	4,350	4,446
Maintenance expenses	3,029	3,958
Amortization of property, plant and equipment	3,793	4,256
Amortization of deferred transponder charges	27	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,026	6,959
Loss (gain) on disposal of property, plant and equipment	–	(7)
Total Expenses	**18,225**	**19,677**
Net Income	**7,652**	**5,383**
Deficit, beginning of year	**(40,763)**	**(39,603)**
Appropriation to Restricted Asset Reserve (note 4)	**(7,263)**	**(6,543)**
Deficit, end of year	**$ (40,374)**	**$ (40,763)**

Statement of Cash Flows

Dollars in thousands for years ended December 31

	2006	2005
Operating Activities:		
Net income	$ 7,652	$ 5,383
Amortization of property, plant and equipment	3,793	4,256
Amortization of deferred finance costs	795	795
Amortization of deferred transponder charges	27	65
Net gain/loss on disposal of capital assets	–	(7)
Unearned revenue	55	–
	12,322	10,492
Net change in non-cash operating balances (note 8)	607	124
	12,929	**10,616**
Investing Activities:		
Purchase of property, plant and equipment	(1,568)	(1,119)
Proceeds from disposal of property, plant and equipment	–	7
Investment in Capital Fund	(4,042)	(3,872)
Investment in Sinking Fund	(2,679)	(2,570)
Investment in OM Fund	(544)	(97)
Investment in Debt Service Fund	3	(4)
Increase in Supplementary Employee Retirement Plan liability	26	546
	(8,804)	**(7,109)**
Financing Activities:		
Repayment on line of credit	(5,000)	(2,000)
	(5,000)	**(2,000)**
Increase (decrease) in cash during year	**(875)**	**1,507**
Cash, beginning of year	**8,352**	**6,845**
Cash, end of year	**$ 7,477**	**$ 8,352**

Notes to the Financial Statements

December 31, 2006

1. Significant Accounting Policies *Dollars in thousands*

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of property, plant and equipment

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Investments

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized to investment income over the life of the related investment.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

h) Other retirement benefit plans (note 13)

The actuarial determination of the accrued benefit obligations for other retirement benefits uses the accumulated benefit method, which is applicable when future salary levels do not affect the amount of employee future benefits.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Property, plant and equipment *Please see page 31*

4. Restricted Assets *Dollars in thousands*

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (OM) Fund has maintained as required an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2006 the OM Fund had a market value of $2,659 and was invested in cash and Government of Canada Treasury Bills maturing in June 2007 with a yield of 4.170%.

The Debt Service fund has maintained as required an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2006

the Debt Service Fund had a market value of $2,808 and was invested in cash and Government of Canada Treasury Bills maturing in June 2007 with a yield of 4.170%.

The Commission has made as required quarterly contributions of $500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2006 the Sinking Fund had a market value of $16,335 and was invested in various federal and provincial bonds maturing in 2007 with rates of 3.03% to 6.68%.

The Commission has made as required quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2006 the Capital Fund had a market value of $24,644 and was invested in various federal, provincial and corporate bonds maturing in 2007 with rates of 5.20% to 7.92%.

5. Deferred Revenue

Dollars in thousands for years ended December 31

	2006	2005
Unredeemed Tokens	$ 1,467	$ 1,483
Electronic Toll Collection (ETC) Accounts	1,566	1,428
	$ 3,033	**$ 2,911**

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Short (Long – 2005) Term Debt

Dollars in thousands for years ended December 31

	2006	2005
5.95% Toll Revenue Bonds Series 1 (see below)	$ 94,379	$ 94,379
90 day B.A. rate + 3/10 of 1% Line of Credit (see below)	12,000	17,000
	$ 106,379	**$ 111,379**

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating and maintenance expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% Province of Nova Scotia Line of Credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OM expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OM Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

On May 29, 2006, the Line of Credit was reduced by $5,000 from $17,000 to $12,000.

The estimated fair market value of the $94,379 fixed rate short term debt, based on the quoted market price for the same issue at December 31, 2006 is $95,776.

The above debt is maturing on December 4, 2007 and has therefore been classified as a current liability.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next year are as follows:

2007	$ 3,750

7. Interest on short (long) term debt and amortization of deferred financing costs

Dollars in thousands for years ended December 31

	2006	2005
Interest on short (long) term debt		
Toll Revenue Bonds	$ 5,615	$ 5,615
Line of Credit	616	549
Amortization of deferred financing costs and discounts	795	795
	$ 7,026	**$ 6,959**

8. Net change in non-cash operating balances

Dollars in thousands for years ended December 31

	2006	2005
Increase (decrease) in cash from changes in:		
Receivables	$ 26	$ (102)
Prepaid expenses	(163)	(10)
Payables and accruals	365	(107)
Customer transponder amounts	257	242
Deferred revenue	122	101
	$ 607	**$ 124**

9. Transponders *Dollars in thousands*

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 3). In both cases, the transponders are being amortized on a straight-line basis which has been extended to December 31, 2017 from October 31, 2010. This change in accounting estimate resulted in the amortization for the transponders for 2006 to be recorded at $101 versus $250 for the shorter amortization period.

The amortization period extension to December 31, 2017 also applies to the deferred transponder charges. Therefore, the deferred transponder charges for 2006 are recorded at $27 versus $65 for the shorter amortization period.

10. Financial instruments

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short (long) term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate short (long) term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4. The Commission is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

11. Related party transactions *Dollars in thousands*

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission paid $5,000 on the outstanding Line of Credit to the Province of Nova Scotia leaving a balance at December 31, 2006 of $12,000 (2005, $17,000). In addition, the Commission paid interest during the year on the Line of Credit to the Province of Nova Scotia in the amount of $616 (2005, $549).

12. Pension plan *Dollars in thousands*

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2006. The Commission recognized an expense of $86 representing a 6% pension contribution for 2006 ($75 for 2005).

13. Retirement benefits *Dollars in thousands*

a) Canadian generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $218 (2005, $266) in retirement benefits at December 31, 2006. The amount of <$48> was allocated to administrative and maintenance expenses for the year (2005, $27) in this regard.

b) The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

A summary of principal pension expense and disclosure information, as required for disclosure purposes pursuantt to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of December 31, 2006.

Components of Net Periodic Pension Cost

Dollars in thousands for years ended December 31

	2006	2005
Interest cost	$ 26	$ –
Past service cost	–	546
Costs arising, and net periodic pension cost recognized, in the year	$ 26	$ 546

Weighted-Average Assumptions for Expense and Disclosure

	Discount rate
2006	4.7%
2005	4.7%

Changes in Accrued Benefit Obligation

Dollars in thousands for years ended December 31

	2006	2005
Accrued benefit obligation at end of prior year	$ 546	$ –
Interest cost	26	–
Benefits paid	–	–
Past service cost	–	546
Accrued benefit obligation at end of year	$ 572	$ 546

Reconciliation of Funded Status to Accrued Benefit Asset (Liability)

Dollars in thousands for years ended December 31

	2006	2005
Excess (Deficit) at end of year	**$ (572)**	**$ (546)**
Unamortized net actuarial loss (gain)	–	–
Accrued benefit asset (liability)	**$ (572)**	**$ (546)**

14. Incorporation

The Halifax-Dartmouth Bridge Commission (the Commission) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* – Statutes of Nova Scotia, 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (1) – With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Municipality may request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (3) – Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

15. Contingencies *Dollars in thousands*

a) A claim in the amount of $1,044 has been made against the Commission for alleged damages caused to a property owner by modifications to the Angus L. Macdonald Bridge. The eventual outcome of this action is not determinable at this time, and therefore, no amounts have been included in these financial statements.

b) An accrued liability of $572 has been included in long term liabilities on the Balance Sheet representing the Supplementary Employee Retirement Plan (see Note 13) which is subject to review and approval by the Department of Finance, Province of Nova Scotia.

16. Additional Credit Facility *Dollars in thousands*

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2006, no advances were outstanding.

17. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

3. Property, plant and equipment *(from page 28)*

Dollars in thousands for years ended December 31

		2006			2005
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 5,735	$ –	$ 5,735	$ 5,735
Buildings	40 yrs s.l.	2,626	1,586	1,040	990
Bridge and bridge components					
Angus L. Macdonald	20 to 85 yrs s.l.	68,131	24,465	43,666	45,300
A. Murray MacKay	15 to 80 yrs s.l.	24,167	13,595	10,572	11,400
Electronic toll transponders	Life Ext. Dec. 31/2017	1,942	835	1,107	1,019
Computer equipment	30% d.b.	706	586	120	123
Toll and other equipment	20% d.b.	7,140	5,080	2,060	1,931
Mobile equipment	30% d.b.	1,238	979	259	286
		$ 111,685	**$ 47,126**	**$ 64,559**	**$ 66,784**

Standing, left to right:

Mr. Wayne Mason
Vice Chair

Mr. David Covill
Commissioner

Councillor Bob Harvey
Commissioner

Dr. Russell Hatton
Commissioner

Mr. Clint Schofield
Commissioner

Councillor Patrick Murphy
Commissioner

Seated, left to right:

Councillor Debbie Hum
Commissioner

Mr. Tom Calkin
Chair

Councillor Linda Mosher
Commissioner

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